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Washington, D.C.

COTTONSEED MARKETING REPORT
SHOWS WIDE VARIATION IN PRICES

If cotton growers knew the grades of their cottonseed, and the prices at nearby mills, they would in many instances obtain higher prices for their seed according to a report entitled "Cottonseed Prices in the United States in the 1934-35 Marketing Season", by A. M. Dickson, just issued by the Cotton Marketing Section of the Agricultural Adjustment Administration.

This report is an outgrowth of investigations made in connection with the consideration of a code for the cottonseed crushing industry. Although no code was adopted, the data assembled are released to aid in an understanding of the problem of cottonseed prices from the grower's point of view.

The report points out that during the 1934-35 season only the mills in the Mississippi Valley States bought cottonseed on grade. However, more than 80 percent of the mills from which data were obtained reported using the grading system to a certain extent as a guide for determining the average quality of the seed which they bought.

The principal facts developed by the study are as follow:

The average prices paid by mills varied widely in different parts of the cotton belt. The differences between the average prices in adjacent areas could be explained to a large extent by the differences in the average grades and by the charges for shipping cottonseed, the average distances between areas.

The prices paid by individual mills in the same trade territory frequently varied widely and changed irregularly. In a number of instances it was several days before a price change at one mill was followed by a price change at a competing mill.

The range in prices paid by individual mills in the same general area was sometimes so wide that cottonseed could have been shipped advantageously from a low-price point to a high-price point.

The relation of price changes at gins located nearby the mills, but not on mill yards, to price changes at mills indicated that, as a rule, competitive conditions at these gins were not such as to require a quick response to price movements at the mills.

The ranges in margins taken by gins showed little uniformity except for gins on mill yards. Although competitive conditions at times resulted in gins paying more for cottonseed than they could sell it for at the time, they more frequently resulted in disproportionately low prices being paid to growers.

Among the causes of the wide variations in the size of the margins taken by gins for handling cottonseed were charging low prices for ginning services and taking wide margins on cottonseed; paying high prices for cotton and making up the losses from profits on cottonseed; not reflecting the grade premiums or discounts in the prices paid to growers, when buying cottonseed on grade; using arbitrary methods in arriving at the weights of cottonseed; and the degree of competition between gins.

From the facts brought out in the study, the report concludes that producers, ginners, and mill operators do not have adequate knowledge of prices of cottonseed in the markets accessible to them, or of grades of cottonseed in adjacent areas.

The report points out that a price and grade reporting service for cottonseed should aim to bring about a more precise response of prices to the fundamental conditions of supply and demand, and should furnish farmers and consumers of cottonseed products with sufficient information to enable them to bargain effectively in making sales and purchases.

